

# **SOCIAL SECURITY ADMINISTRATION**



## **THE FISCAL YEAR 1997 BUDGET**

The attached document is based on the President's Budget scheduled for delivery to the Congress on March 19, 1996 and is strictly embargoed until

1:00 p.m. that day

# SOCIAL SECURITY ADMINISTRATION

## FY 1997 BUDGET

### TABLE OF CONTENTS

	Page
I. SUMMARY .....	1
II. TRUST FUND PROGRAMS - Old Age, Survivors and Disability Insurance .....	5
III. GENERAL FUND PROGRAMS:	
- Supplemental Security Income .....	7
- Special Benefits for Disabled Coal Miners .....	9
IV. LIMITATION ON ADMINISTRATIVE EXPENSES .....	10
V. OFFICE OF THE INSPECTOR GENERAL .....	13

# **SOCIAL SECURITY ADMINISTRATION**

The President's fiscal year (FY) 1997 budget for the Social Security Administration (SSA) fulfills the Administration's commitment to senior citizens and other beneficiaries by protecting Social Security, incorporating the President's Supplemental Security Income (SSI) reforms and continuing disability review proposals to ensure the integrity of the programs SSA administers and investing in the future to make SSA work better and cost less. This budget supports SSA's goals of rebuilding public confidence in its programs, providing world class service to its customers and creating a supportive work environment for its employees.

## **Protecting Social Security**

- ▶ The President's request includes an estimated cost-of-living adjustment of 2.8 percent, payable in January 1997.
- ▶ The President's budget includes no major changes to the trust fund programs--retirement, survivor's, and disability insurance. During FY 1997, OASDI trust fund reserves are projected to increase by almost \$73 billion.

## **Protecting the Integrity of the Social Security and Supplemental Security Income Programs**

- ▶ The President's budget includes administrative resources for SSA to perform additional continuing disability reviews (CDRs), conducted to verify that individuals receiving Social Security disability insurance or SSI disability benefits remain eligible to continue receiving those benefits. The President's budget:
  - projects that the number of periodic CDRs conducted in FY 1997 will more than double to 785,000 from the base level of 350,000;
  - funds this increase through a legislative proposal to raise discretionary spending caps by \$60 million in FY 1996 and \$260 million in FY 1997 solely for the purpose of conducting reviews above the 350,000 base level;
  - expects that these efforts will heighten awareness of SSA's stewardship of its trust funds, increase emphasis on program integrity, and strengthen the public's confidence in SSA and its programs.

- ▶ The SSI program provides financial support for the neediest of the Nation's aged and blind, and people with disabilities. The President's budget supports key reforms to ensure that SSI continues to reach those most in need. The Administration's proposal for SSI reform includes provisions to:
  - prohibit SSI benefits on the basis of substance addiction;
  - revise SSI definition of disability for children;
  - allow a family to use any large, retroactive SSI benefit to establish a dedicated savings account for a child with disabilities, with funds in the account available only for expenses directly related to the child's impairment, such as therapy or special equipment.
  
- ▶ The President's budget also proposes changes in the eligibility of non-citizens for SSI and would hold immigrants' sponsors legally responsible for their financial well-being for a longer period of time. Specifically, the sponsors' income and resources would be counted (or "deemed") when determining whether immigrants are eligible for certain means-tested Federal payments, including SSI, until the immigrant becomes a citizen. Deeming would not apply to:
  - those aged 75 and older who have lived in the country for at least five years;
  - those who suffer a disabling impairment after entering the country;
  - veterans, active duty military personnel, and their families; and
  - workers who have earned 20 quarters of Social Security coverage and their families.

### **Investing in the Future to Make SSA Work Better and Cost Less**

- ▶ SSA is initiating and continuing a number of activities to ensure it is operating at the highest levels of efficiency while in pursuit of its goal to provide world class service to its customers.
  
- ▶ SSA is implementing its Intelligent Workstation/Local Area Network initiative to provide front-line employees with state-of-the-art technology which will make information available where and when it is needed, speeding claims processing and telephone service. The President's FY 1997 budget includes \$300 million as part of the Automation Investment Fund to further this initiative.
  
- ▶ SSA is continuing to review and automate its core business processes to save workyears and improve customer service. The President's budget contains resources to support increased automation of the earnings posting, postentitlement and Social Security and SSI application processes.

- ▶ SSA is committed to redesigning its entire disability process which will embody major changes in the way we interact with disability claimants and the way we process initial claims and requests for hearings. Some of these changes include:
  - creating a point of contact for the claimant and reducing the number of times the claim is “handed off” in the process;
  - providing new training materials for employees on critical parts of the process; and
  - developing guidelines to assist and monitor third-parties who will help disability applicants file and pursue their claims.

## SSA OVERVIEW

	(Outlays in millions)				
	<u>1995 Actual</u>	<u>1996 Current Rate</u>	<u>1996 President's Policy</u>	<u>1997 Request</u>	<u>+/-</u>
<b><u>Trust Fund Programs</u></b>					
Old Age and Survivors Insurance (OASI)	\$294,474	\$306,141	\$306,210	\$319,587	+\$13,377
Disability Insurance (DI)	<u>\$41,380</u>	<u>\$45,048</u>	<u>\$45,066</u>	<u>\$48,511</u>	<u>+\$3,445</u>
Subtotal	\$335,854	\$351,189	\$351,276	\$368,098	+\$16,822
<b><u>General Fund Programs:</u></b>					
SSI	\$26,488	\$26,621	\$26,621	\$30,466	+\$3,845
Black Lung	<u>\$717</u>	<u>\$675</u>	<u>\$675</u>	<u>\$640</u>	<u>-\$35</u>
Subtotal	\$27,205	\$27,296	\$27,296	\$31,106	+\$3,810
Limitation on Admin. Expenses [non-add]	[\$5,544]	[\$5,557]	[\$5,988]	[\$6,582]	[+\$594]
Office of Inspector General [non-add]	[\$10]	[\$21]	[\$26]	[\$27]	[+\$1]
<b>TOTAL, SSA</b>	<b>\$363,059</b>	<b>\$378,485</b>	<b>\$378,572</b>	<b>\$399,204</b>	<b>+\$20,632</b>
<b>Full-Time Equivalents</b>	<b>64,646</b>	<b>64,088</b>	<b>64,752</b>	<b>64,768</b>	<b>+16</b>

*Note: Does not include impact of savings from the Administration's CDR and SSI Reform proposals. Impact of these proposals is included in the President's Budget government-wide Welfare Reform Allowance.*

*The FY 1997 estimate excludes 500 FTEs which would be funded by the CDR proposal.*

## TRUST FUND PROGRAMS

### Old Age, Survivors and Disability Insurance (OASDI)

In FY 1997, OASDI outlays will increase by almost \$17 billion, or 4.8 percent, over FY 1996. This increase can be attributed to: approximately 670,000 more beneficiaries; higher benefit amounts due to higher earnings of new beneficiaries; and the annual cost-of-living increase (COLA), estimated at 2.8 percent, payable in January 1997. The combined OASDI trust fund reserves will grow by nearly \$73 billion in FY 1997 to a total of about \$621.1 billion.

The Omnibus Budget Reconciliation Act of 1990 (OBRA 90) moved trust fund income and disbursements off-budget. Under the terms of the Budget Enforcement Act (BEA) and OBRA 90, SSA's administrative expenses remain within discretionary spending limits.

### OASDI OVERVIEW

	(Outlays in Millions)				
	<u>1995 Actual</u>	<u>1996 Current Rate</u>	<u>1996 President's Policy</u>	<u>1997 Request</u>	<u>+/-</u>
<b><u>Outlays:</u></b>					
OASI Benefits	\$288,624	\$300,323	\$300,323	\$313,575	+\$13,252
DI Benefits	\$40,201	\$43,644	\$43,644	\$47,095	+\$3,451
Administration	\$2,868	\$3,032	\$3,120	\$3,484	+\$364
Other	<u>\$4,161</u>	<u>\$4,190</u>	<u>\$4,190</u>	<u>\$3,944</u>	<u>-\$246</u>
<b>TOTAL, OASDI</b>	<b>\$335,854</b>	<b>\$351,189</b>	<b>\$351,276</b>	<b>\$368,098</b>	<b>+\$16,822</b>
<b><u>Budget Authority/Income:</u></b>					
OASI	\$326,085	\$356,777	\$356,777	\$381,880	+\$25,103
DI	<u>\$70,215</u>	<u>\$59,510</u>	<u>\$59,510</u>	<u>\$59,191</u>	<u>-\$319</u>
<b>TOTAL, Budget Authority/Income</b>	<b>\$396,300</b>	<b>\$416,287</b>	<b>\$416,287</b>	<b>\$441,071</b>	<b>+\$24,784</b>

*Note: Does not include impact of savings from the Administration's CDR proposal. Impact of this proposal is included in the President's Budget government-wide Welfare Reform Allowance.*

*"Other" includes payments to RRB, military service credits, beneficiary services (vocational rehabilitation and drug addict/alcoholic monitoring), and demonstration projects.*

*Decrease in DI Budget Authority/Income reflects reallocation between OASI and DI trust funds mandated by P.L. 103-387.*



## **OASDI Program Data**

Social Security pays monthly cash benefits to retired and disabled workers and their dependents, and to survivors of deceased workers. Benefits are financed primarily by payroll taxes paid by employees, employers and the self-employed. The table below provides information on benefit payments and the payroll tax.

### **OASDI BENEFICIARY OVERVIEW**

<b>(Beneficiaries in millions)</b>				
	<b><u>Fiscal Year</u></b>			
	<b><u>1995</u></b>	<b><u>1996</u></b>	<b><u>1997</u></b>	<b><u>+/-</u></b>
<b><u>Average Number Beneficiaries</u></b>				
OASI	37.3	37.7	38.0	+0.4
DI	5.7	6.0	6.3	+0.3
TOTAL, Beneficiaries	43.0	43.6	44.3	+0.7
<b><u>Average Monthly Benefit:</u></b>				
Retired Worker	\$693	\$715	\$739	+\$24
Disabled Worker	\$656	\$675	\$696	+\$21

	<b><u>Calendar Year</u></b>			
	<b><u>1995</u></b>	<b><u>1996</u></b>	<b><u>1997</u></b>	<b><u>+/-</u></b>
Projected COLA Payable in January	2.8%	2.6%	2.8% <sup>1</sup>	+0.2%
Taxable OASDI wage base (Maximum earnings recorded)	\$61,200	\$62,700	\$65,100 <sup>1</sup>	+\$2,400
FICA tax rate (Employers and employees each, including HI portion)	7.65%	7.65%	7.65%	0%
SECA tax rate (Self-employed, including HI portion)	15.30%	15.30%	15.30%	0%

<sup>1</sup> Estimate. Numbers may not add due to rounding.

## GENERAL FUND PROGRAMS

### Supplemental Security Income (SSI)

The SSI program provides benefits for low-income aged, blind and disabled individuals and couples, as well as disabled children. Amounts paid to recipients generally vary from the standard benefit amount depending on income (e.g., earnings and Social Security benefits) and living arrangements (e.g., residence in one's own home, the household of another person, or in a nursing home which meets Medicaid standards).

### SSI OVERVIEW

(Outlays in Millions)

	<u>1995 Actual</u>	<u>1996 Current Rate</u>	<u>1996 President's Policy</u>	<u>1997 Request</u>	<u>+/-</u>
<b>Federal Benefits</b>	<b>\$24,443</b>	<b>\$24,336</b>	<b>\$24,336</b>	<b>\$28,151</b>	<b>+\$3,815</b>
<b>Beneficiary Services</b>	<b>\$49</b>	<b>\$147</b>	<b>\$147</b>	<b>\$183</b>	<b>+\$36</b>
<b>Research/Demonstration</b>	<b>\$18</b>	<b>\$36</b>	<b>\$36</b>	<b>\$9</b>	<b>-\$27</b>
<b>Administrative Costs</b>	<b><u>\$1,978</u></b>	<b><u>\$2,102</u></b>	<b><u>\$2,102</u></b>	<b><u>\$2,123</u></b>	<b><u>+\$21</u></b>
<b>TOTAL, SSI</b>	<b>\$26,488</b>	<b>\$26,621</b>	<b>\$26,621</b>	<b>\$30,466</b>	<b>+\$3,845</b>

*Notes: Does not include impact of savings from the Administration's GDB and SSI Reform proposals. Impact of these proposals is included in the President's Budget government-wide Welfare Reform Allowance.*

### SSI Program Data

The maximum Federal benefit amount, adjusted for the 2.6 percent January 1996 COLA, is \$470 per month for an individual and \$705 per month for a couple. This amount will increase to \$483 per month for an individual and \$725 per month for a couple when payments are adjusted for the estimated 2.8 percent COLA payable in January 1997. Total outlays are projected to increase from FY 1996 through FY 1997 by about \$3.8 billion. Outlays rise as a result of the projected net increase of 195,000 Federal recipients and the effect of the annual cost-of-living increase in January 1997.

States may choose to supplement the Federal payment and may also choose to have SSA administer these supplements for a fee. Nationwide, approximately 39 percent of SSI recipients who receive Federal benefits also receive Federally-administered State supplements.

Benefit payments in the FY 1997 budget reflect an estimated increase of \$3.8 billion, about 15 percent over FY 1996. The net increase is due primarily to the release of 12 monthly payments in FY 1997 compared to 11 in FY 1996. (If the normal date for payment of benefit checks falls on a Saturday, Sunday, or holiday, payments are released on the preceding regular banking day, which, for October's payment, can be in a different fiscal year.)

## SSI PROGRAM DATA

(Recipients in thousands)

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>+/-</u>
<b><u>Average Number of SSI Recipients</u></b>				
<b>Federal Payments:</b>				
Aged .....	1,327	1,315	1,295	-20
Blind and Disabled .....	<u>4,743</u>	<u>4,995</u>	<u>5,210</u>	<u>+215</u>
Subtotal .....	6,070	6,310	6,505	+195
<b>State-Only Supplementary</b>				
Payments .....	<u>325</u>	<u>325</u>	<u>320</u>	<u>-5</u>
<b>TOTAL, SSI Recipients .....</b>	<b>6,395</b>	<b>6,635</b>	<b>6,825</b>	<b>+190</b>

(Payments in dollars)

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>+/-</u>
<b><u>Average Federal Monthly Payment:</u></b>				
Aged Recipients .....	\$219	\$225	\$234	+\$9
<b>Blind and Disabled</b>				
Recipients .....	\$365	\$377	\$389	+\$12
<b>All SSI Recipients .....</b>	<b>\$334</b>	<b>\$345</b>	<b>\$358</b>	<b>+\$13</b>

## **Special Benefits for Disabled Coal Miners**

The Special Benefits for Disabled Coal Miners appropriation provides funds to pay monthly benefits to coal miners disabled by black lung disease and to their widows and certain other dependents, as well as pay-related administrative costs. SSA is responsible for claims filed before July 1973; the Department of Labor is responsible for claims filed after that date.

The \$35 million decrease in the FY 1997 request reflects the continuing decline in the number of beneficiaries receiving payments administered by SSA. The number of beneficiaries is expected to decline by an additional 12,000 in FY 1997. This decrease is due not only to the death of disabled coal miners, but also to the declining population of widows entitled to survivors benefits under the program.

### **DISABLED COAL MINERS OVERVIEW**

<b>(Outlays in millions)</b>					
	<b><u>1995 Actual</u></b>	<b><u>1996 Current Rate</u></b>	<b><u>1996 President's Policy</u></b>	<b><u>1997 Request</u></b>	<b><u>+/-</u></b>
<b>Benefit Payments</b>	<b>\$713</b>	<b>\$670</b>	<b>\$670</b>	<b>\$635</b>	<b>-\$35</b>
<b>Administration</b>	<b><u>\$4</u></b>	<b><u>\$5</u></b>	<b><u>\$5</u></b>	<b><u>\$5</u></b>	<b><u>\$0</u></b>
<b>TOTAL, Special Benefits</b>	<b>\$717</b>	<b>\$675</b>	<b>\$675</b>	<b>\$640</b>	<b>-\$35</b>
<b>(Beneficiaries in thousands)</b>					
<b>Beneficiaries</b>	<b>150</b>	<b>139</b>	<b>139</b>	<b>127</b>	<b>-12</b>

## **Limitation on Administrative Expenses Account**

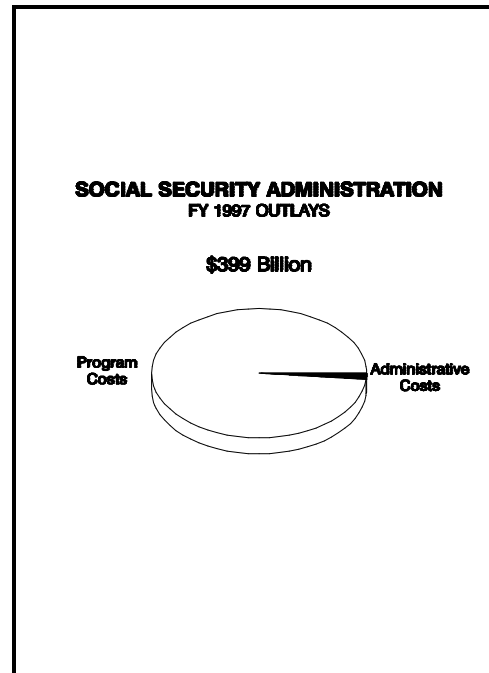
The Limitation on Administrative Expenses Account (LAE) request for FY 1997--\$6.582 billion--is less than 2 percent of the Agency's total outlays and provides resources for SSA to administer the OASDI programs, the SSI program and certain health insurance functions. Funds are included for: personnel costs and operating expenses such as equipment, space and building services; processing retirement, disability and survivors' claims; processing applications for Social Security numbers and posting annual earnings to workers records; operating a nationwide 800-number; and operating and improving SSA's automated data processing and telecommunications systems.

To ensure it is operating at the highest levels of efficiency while offering its customers world class service, SSA is initiating and continuing a number of activities, which include:

- improving telephone service;
- investing in automation;
- improving disability case processing;
- increasing the number of continuing disability reviews processed by the agency; and
- planning and implementing SSI reform legislation.

SSA was rated the best telephone-answering organization among those reviewed in an independent study conducted in 1995 by Dalbar Financial Services, Inc., which included several companies renowned for their customer service standards, such as L.L. Bean, Nordstrom, Disney, and Federal Express. Despite the fact that SSA received an overall top rating, SSA recognizes that the amount of time callers spend waiting to speak to a representative is too long and needs improvement. The FY 1997 budget request provides funding to support initiatives to improve telephone service by balancing additional automated call answering with personal service.

The request includes \$300 million for the fourth year of the \$1.1 billion five-year investment in automation to support all of SSA's workloads, including disability claims and hearings. This investment provides funding for a state-of-the-art computing network for SSA and the State Disability Determination Services. This Intelligent Workstation/Local Area Network initiative will provide the automation and communications platform essential to support reengineered business processes, continued automation to streamline administrative and programmatic operations, and a consistent high level of customer service. Additionally, the investment represents the



down payment for longer-term service improvements, such as paperless processing of claims.

SSA has been confronted in the 1990s with unprecedented growth in applications for disability benefits. As applications move through the initial decision phase and into the appeals process, SSA has experienced significant growth in hearings and appeals workloads. SSA projects that disability claims and hearings receipts will level off in FY 1997. Initial claim receipts are expected to total 2.5 million, and almost 0.6 million requests for hearing will be filed. Thanks to the success of Agency initiatives which have reduced initial claims pending levels to a more manageable level, SSA will focus its FY 1997 efforts on reducing the number of pending hearings and increasing program integrity activities.

The President's budget includes, pending enactment of legislation and subsequent appropriations action:

- ▶ \$320 million in administrative resources to be used in FY 1996 and FY 1997 to perform CDRs for social security disability insurance beneficiaries and SSI disability recipients; and
- ▶ \$300 million in one-time funding to be used for the administrative costs SSA will incur in FY 1996 and FY 1997 to implement the Administration's SSI reform proposal.

## LAE OVERVIEW

(Budgetary Resources in millions)					
	<u>1995 Actual</u>	<u>1996 Current Rate</u>	<u>1996 President's Policy</u>	<u>1997 Request</u>	<u>+/-</u>
<b>Program Financing:</b>					
Base	\$5,456	\$5,469	\$5,628	\$5,772	+\$144
Automation Investment	\$88	\$88	\$250	\$300	+\$50
<b>Proposed Legislation</b>					
CDR Proposal	\$0	\$0	\$60	\$260	+\$200
SSI reform	<u>\$0</u>	<u>\$0</u>	<u>\$50</u>	<u>\$250</u>	<u>+\$200</u>
<b>TOTAL, Budget Resources</b>	<b>\$5,544</b>	<b>\$5,557</b>	<b>\$5,988</b>	<b>\$6,582</b>	<b>+\$594</b>
<b>LAE Full Time Equivalents:</b>					
Base	64,135	63,463	64,063	64,095	+32
<b>Proposed Legislation</b>					
CDR Proposal	<u>0</u>	<u>0</u>	<u>0</u>	<u>500</u>	<u>+500</u>
<b>TOTAL, LAE FTE</b>	<b>64,135</b>	<b>63,463</b>	<b>64,063</b>	<b>64,595</b>	<b>+532</b>

*Note: FTE support OASDI, HI, SMI and SSI programs only. For Total FTE for all programs see SSA Summary.*

## Office of the Inspector General

---

(Dollars in millions)					
	<u>1995 Actual</u>	<u>1996 Current Rate</u>	<u>1996 President's Policy</u>	<u>1997 Request</u>	<u>+/-</u>
<b>Budgetary Resources</b>	\$10	\$21	\$26	\$27	+\$1
<b>Outlays</b>	\$8	\$21	\$26	\$27	+\$1
<b>FTE</b>	109	245	309	315	+6

---

### Summary

As a newly independent agency, SSA has gained its own Office of the Inspector General (OIG), a function which had previously been performed for SSA by the Department of Health and Human Services. OIG is charged with protecting the integrity of SSA's programs as well as promoting their economy, efficiency and effectiveness. OIG uses a combination of audits, investigations and inspections to investigate and prosecute fraud, waste and abuse in SSA's programs and operations.

OIG's FY 1997 budget request will enable it to cover investigations and handle investigative work for all parts of the country, such as following up on cases of suspected fraud discovered by SSA offices or outside sources.

SSA has initiated a series of projects to improve the prevention, detection and prosecution of fraud and abuse in the retirement, survivors and disability insurance and Supplemental Security Income programs. Initiatives are underway that address both client (public) fraud and employee abuse. OIG is a key participant in these projects and is working with the program and operational components of the agency to streamline the referral of cases and the tracking of outcomes. OIG is also working with Federal, State and local law enforcement and prosecutive communities to make sure SSA cases are given a higher priority.